

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1373-01
Bill No.: HB 550
Subject: Business and Commerce; Revenue Dept.; Taxation and Revenue-General, Sales and Use
Type: Original
Date: March 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

* Expected to exceed \$100,000 annually

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation creates a sales tax exemption for services, materials and supplies used in the production of printed materials by firms classified in the 1987 standard industry code classification group 27, except 279, which is intended to be sold ultimately for final use or consumption including, but not limited to, image output, photo-processing chemicals, photosensitive paper, film and negatives. DOR assumes this proposal would not fiscally impact their agency. DOR has assumed sales tax revenues to state and political subdivisions will be reduced, revenue impact is unknown.

In a similar prior proposal, DOR stated that several items included in the proposal including paper and ink were already exempt from sales and use tax. However, they could not provide an itemized estimate of the fiscal impact from the other exempted items in the proposal.

In a similar prior proposal, officials of the **Office of Administration - Division of Budget and Planning (BAP)** stated they have no estimate of how much revenue would be lost to the state as a result of this proposal.

Oversight assumes unknown revenue losses from the exemption of services, materials and supplies used in the production of all printed material. While many items are currently tax exempt, the broadening of the exemption could be expected to result in state revenue losses exceeding \$100,000 annually.

This proposal would result in a decrease in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (9 Mo.)	FY 2003	FY 2004
<u>Loss - General Revenue Fund</u>			
Elimination of sales tax on services, materials, and supplies used in the production of printed materials	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (9 Mo.)	FY 2003	FY 2004
SCHOOL DISTRICT TRUST FUND			
<u>Loss - School District Trust Fund</u> Elimination of sales tax on services, materials, and supplies used in the production of printed materials	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION FUND			
<u>Loss - Conservation Fund</u> Elimination of sales tax on services, materials, and supplies used in the production of printed materials	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOIL FUNDS			
<u>Loss - Parks and Soil Funds</u> Elimination of sales tax on services, materials, and supplies used in the production of printed materials	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS AND SOIL FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (9 Mo.)	 FY 2003	 FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that sell or use materials used in the production of printed materials.

DESCRIPTION

This bill exempts from state sales and use taxes all services, materials, and supplies used in the production of all printed materials by certain printing firms. The exemption will include, but not be limited to, image output, photo-processing chemicals, photosensitive paper, film and negatives.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Division of Budget and Planning



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Director

March 2, 2001